

Draft- For Review and Comment

Business Opportunities Guide

**Haywood County,
Tennessee**

1997



Economic Development

Executive Summary

Based on an analysis in this report, it appears that **Haywood loses substantially more from dollars spent by residents outside the county than it gains from non-residents spending inside Haywood County**. Based on state average purchasing patterns, most major retail categories show net deficits of dollars going out of Haywood County. The total estimated deficit is about \$45 million.

A simple county *peer* or *benchmarking* analysis based on local county characteristics is used to estimate employment potentials so that candidate businesses can be identified. Some of the possibilities that are offered are *common* opportunities, that is, ones with substantial activity across most peer counties. Some are *special* case situations where relatively unusual business enterprises occur in one or two peer counties; these are probably not so dependent on local demand.

In spite of the estimated deficit, it appears that counties with similar demand components to Haywood do not tend to fare a great deal better. Some potential opportunities did, however, surface.

Top *common* opportunities based on local county demand in the consumer business sector include:

- **general hospitals**
- **eating places**
- **skilled nursing care facilities**
- **department stores**
- **grocery stores**
- **furniture stores**
- **lumber & other building materials**
- **child day care services**
- **gasoline service stations**
- **legal services**

- **doctor's offices**

The top *special* consumer business opportunities include:

- **specialty hospitals, ex. psychiatric**
- **junior colleges**
- **vocational schools, nec**
- **national commercial banks**
- **individual & family services**
- **mobile home dealers**
- **engineering services**
- **specialty outpatient clinics, nec**

The top selected *common* business services opportunities include:

- **business services, nec**

The top selected *special* business services opportunities include:

- **data processing & preparation**
- **help supply services**
- **building maintenance services, nec**
- **commercial printing, lithographic**

There are also several opportunities in trucking and warehousing, as well as in industrial services. The top ones are

- **local trucking, without storage**
- **trucking, except local**
- **general warehousing & storage**
- **welding repair**
- **wholesale industrial machinery & equipment**
- **wholesale industrial supplies**

Whether these selections actually represent realizable and profitable business opportunities in Haywood County can only be reasonably assessed by more detailed investigation. All potential candidate businesses should be subjected to the more intimate knowledge of commercial demand and supply conditions in the Haywood local area and in the surrounding areas.

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Introduction

This guide has been prepared to assist those interested or involved in commercial sector development in Haywood County, Tennessee. It provides information that should be useful for identifying types of commercial enterprises that may be underrepresented in Haywood County. These are types of businesses for which there is evidence that Haywood County has levels of activity that are low relative to similar counties. Such commercial businesses, it seems reasonable to say, are more likely to be good candidates for development than are those businesses where Haywood County activity levels are already relatively high.

Description Of This Guide

This chapter contains descriptions of the major parts of this guide, a quick overview of the Haywood economy, and a brief examination of estimates of leakages for the county from broad categories of retail and other taxable sales activities.

The next chapter of this guide, *Business Opportunities*, uses the information in the appendices to identify one possible set of commercial enterprises that appears likely to have good potential for development in Haywood County.

The last chapter of this guide, *Methodology*, describes the analytical techniques used to produce the information in the appendices. The primary technique involves identifying counties that are most comparable to Haywood County and then comparing employment per unit of base demand (population or employment) in commercial sector four-digit SICs.

The word *business* or *industry* in this report generally means four-digit SIC classifications. In particular, this guide focuses on SICs above 3999. The major sectors it includes, therefore, are: transportation and public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and services. In large part, these are business sectors whose firms depend upon local customers for much, if not most, of their sales.

The analytical core of this report consists of the data charts provided in *Appendix B* through *Appendix E*. The results shown in each chart have been derived by applying simple analytical techniques to selected four-digit SIC industry data. (For detailed information on SIC codes, see the *Standard Industrial Classification Manual, 1987*, Executive Office of the President, Office of Management and Budget.)

The information in these charts can be used to identify types of commercial activities with the greatest potential for development. It can serve as a reference to gain perspective on any included business type that is of interest, regardless of how the industry has been selected.

Other appendices include tables providing an overview of the local economy, a table of quartiles of employment per establishment by SIC, annual wage rates by SIC, population and commuting values for all selected counties, a listing of the larger local commercial businesses, and a list of SIC codes and their corresponding titles.

Overview of Haywood County Economy

Appendix A provides income and earnings for major sectors, as well as commuting and employment data, for Haywood County. These data are taken from information provided by the *Bureau of Economics Analysis* and the *State Employment Security Office*.

Non-farm income for county residents accounted for 96.5 percent of the total personal income in 1995. Total earnings by county residents was \$194.3 million, but earnings by all persons working in the county was \$180.7 million. Average earnings per job was \$19,423.

The dominant sector generating earnings for Haywood County workers is manufacturing. It contributed about 39 percent of the total place-of-work earnings in 1995. The combined commercial category of wholesale, retail, FIRE (finance, insurance, and real estate) and services accounted for about 33 percent. The largest disclosed commercial business sector is health services, accounting for 45 percent of the combined commercial sector earnings. Most of the remaining earnings were from state and local government employment. Government transfer payments to Haywood residents were \$94.8 million, or about 29 percent of total personal income.

The smaller place of work earnings than place of residence earnings is consistent with the 1990 Census commuting patterns table, where it is shown that there were about 1,200 more out-commuters than in-commuters. The commuting tables show that the net out-commuting went primarily to Fayette, Lauderdale, Madison, and Shelby counties. There was also significant out-commuting to Crockett County, but it was more than offset by the corresponding in-commuting. The major component of the commuters consists of manufacturing workers.

A third type of table in *Appendix A* shows recent place-of-work employment,

where disclosable, at the two-digit SIC level for Haywood. The largest commercial sectors that are disclosed are automotive dealers and service stations (142 employees), eating and drinking places (281 employees), and health services (350 employees).

Sources Of Demand

Sources of expenditures for goods and services in any county are primarily (1) local residents and businesses, (2) commuters from nearby counties, (3) travelers passing through, and (4) tourists who come to the county because of local attractions. The first factor, local demand, is the basis for the results in this report.

The second factor, nearby commuters, is a demand component primarily for consumer goods and services. In this study, this factor is controlled by selecting peer counties with similar net commuting patterns.

The third factor, travelers passing through, is difficult to estimate and primarily results in some additional business in restaurants and service stations.

The fourth, tourism trade, will depend on the quantity and quality of the local supply of tourist attractions. Since it is not primarily dependent on local demand conditions, *potential tourist development, though possibly important to commercial development, is not addressed in this study*. (In this study the substitute for local demand in consumer businesses is local county population.) Some indication of potential may be gained, however, by comparing Haywood's tourism activity with the rest of the Tennessee counties. The data is not available to directly do this with accuracy. However, a crude index of tourism activity was developed for this study.

The rankings of the index for all the counties is shown in the last table in *Appendix A*. There Haywood can be seen to be ranked 61st out of the 95 counties. Since this is a low ranking, we might conclude that tourism trade in Haywood is not well developed. This conclusion is, of course, subject to many factors that are best addressed by those local persons who are well informed on conditions relevant to this industry in Haywood County.

Although whether or not tourism could be further developed is a question that is beyond the scope of this investigation, it is interesting that in the next analysis, that of retail leakages, amusements and recreation is identified as an industry underrepresented in Haywood.

Finally, the benchmark analyses will show that common opportunities based on local demand in Haywood seem to be fairly limited due to its size and income base. This and the above considerations may encourage further investigation into tourism possibilities. On the other hand, the benchmark analyses will indicate some additional possibilities for some other products and services that also may not be so dependent on local county demand.

Retail Sales Leakages In Haywood County

The chart on the following page provides estimates of potential retail sales leakages. The estimates are derived from calculations of what retail sales are reported to be and what they would be in the county if local sales per dollar of effective buying income followed the pattern of an average Tennessee county.

Based on this method of analysis, it appears Haywood loses, on net, from purchases made outside the county by county residents. The estimated total retail net leakage out of the Haywood economy is about \$45 million. The major losses occur in building materials, general merchandise, apparel and accessories, eating and drinking

places, furniture and furnishings, wholesale trade, auto repair, and amusements. A large portion, however, can only be identified as 'other retail'.

This type of analysis is based on comparing Haywood with a hypothetical average county. It does not compare Haywood to counties that may be similar to it, as is done in the benchmark analyses. Therefore, the identification of underrepresented business types may differ between the two types of analyses.

Cautions

The information in this study is derived from large, county-industry databases and analytical techniques from regional economics. The database covers counties in seven southern states and industries at the four-digit SIC level. The industry data, though usually very good, are not infallible, and quirks are not uncommon. It is not unusual to find an enterprise classified in an unexpected category or county, or in a category that does not agree with the classification in a different data source. Another complicating factor is that establishments are reported by only one primary SIC, although many will actually have several pertinent SICs. In short, the results should always be exposed to detailed investigation and subjected to and interpreted in light of any personal knowledge of local business conditions.

Furthermore, the data behind the reported results is county-level data. This imposes somewhat arbitrary boundary limitations on the economic activity. This study relies heavily on the notion that many commercial activities are dependent on "local", i.e., county, demand. In some cases local demand may spill over from nearby counties more so than in other cases. Since this study compares counties, conclusions should be tempered accordingly.

Therefore, it is important to view the results here as only possibilities for which

Estimates Of Taxable Sales Leakages Haywood County, Tennessee 1996

Dollar figures are in thousands

*Estimated Leakage = (county sales/EBI - state sales/EBI) * county EBI. If positive, leakage is from other counties into Haywood; if negative, leakage is out of Haywood.

	<i>Haywood County</i>	<i>Tennessee</i>	<i>Estimated Leakage*</i>
Effective Buying Income (EBI)	\$218,281	\$75,950,613	
Population	19,200	5,295,500	
EBI Per Capita	\$11.37	\$14.34	
Total Estimated Leakage			-\$44,835
<i>Retail Sales</i>			
Building Materials	\$5,437	\$3,571,451	-\$4,827
General Merchandise	\$17,593	\$7,424,043	-\$3,744
Food Stores	\$27,115	\$8,780,180	\$1,881
Autos, Boats, & Aircraft	\$28,288	\$9,263,697	\$1,664
Service Stations	\$12,705	\$2,669,577	\$5,033
Apparel & Accessories	\$1,327	\$2,029,613	-\$4,506
Furniture & Furnishings	\$3,284	\$2,054,916	-\$2,622
Eating & Drinking	\$9,378	\$4,921,096	-\$4,765
Other Retail	\$6,271	\$6,905,456	-\$13,575
Total Retail Sales	\$111,398	\$47,620,029	-\$25,461
<i>Non-Retail Sales</i>			
Communications	\$6,281	\$2,757,427	-\$1,644
Wholesale	\$24,942	\$11,918,866	-\$9,313
Hotels & Other Lodging	\$1,375	\$1,518,542	-\$2,989
Auto Repair	\$2,224	\$1,674,549	-\$2,589
Misc. Repair	894	534470	-\$642
Motion Pictures	\$0	\$199,088	-\$572
Amusements	447	720976	-\$1,625
Total Non-Retail Sales	\$36,163	\$19,323,918	-\$19,374

there may or may not be good reasons to accept as valid. Only further study and more in-depth knowledge of the area trade situation than is within the scope of this project can make this determination. In this study, a commercial business that shows general underrepresentation in Haywood is simply a business in which the data suggests there is an unusual amount of the county residents' purchases in that business taking place outside of Haywood County. It provides no explanation of why this might be the case.

The proper use of the results contained in this report should, nevertheless, improve the chances for commercial development success. These results may be used as a starting point for

selecting candidate businesses, but they should be cross-checked against any and all additional relevant and available information before drawing any final conclusions.

A study of this nature cannot provide definitive answers that will ensure development efforts are ultimately successful. Many factors, including chance, individual initiative, and local development efforts, typically enter into the successful development of economic enterprises. The information in this Guide can, however, be a useful starting point for targeting commercial opportunities when it is properly understood and used appropriately.

Selected Opportunities

This chapter presents a selection of target commercial opportunities for Haywood County. The selection of business types is based on the benchmark results presented in *Appendix B* through *Appendix E*. For a discussion of the methodologies used to derive the information in the appendices, refer to the *Methodology* section of this report. The user of this information should be certain to read the cautions discussed in the *Introduction*.

The first section of this chapter presents this selection of commercial business opportunities. The next section, *Employment and Establishment Potentials*, briefly describes how employment potentials were calculated and how they can be translated into potential number of establishments. The final section, *Selected Top Opportunities*, presents short discussions of some of the selected opportunities.

Introduction

In *Appendix B* through *Appendix E* are charts of employment per unit of a base demand sector measure (either population or employment). Within each chart is a bar for Haywood County and one for each county in a set of peer counties. There is one chart for every four-digit SIC commercial business classification that has a high calculated employment potential for Haywood County.

Potential top selections are the four-digit SIC business categories that have the highest calculated employment potentials.

Most of the SICs above SIC 3999 are included for analysis. Examination of the bar charts for the SICs shows these businesses tend to fall into one of two categories based on the distribution of the employment among the peer counties.

One category consists of cases where substantial employment in the business exists in many, if not all, of the peer counties. Furthermore, at least several peer counties have high levels relative to Haywood County. It is a business, therefore, whose activity is widespread and probably not particularly subject to special conditions or situations.

Businesses characterized by this kind of widespread presence are termed *common* opportunity businesses. Because they are more commonplace, it may be relatively easy to establish and expand businesses of this type in Haywood County.

The other category of business potential covers situations where there are only one or two peer counties with significant employment in a particular business. These are businesses that are not homogeneously distributed across the geographic landscape. They are businesses to which, for a variety of reasons, there may be higher barriers to entry or greater barriers to high levels of activity. Therefore, development of one of these types of businesses may be considerably more difficult and require consideration of more

factors than is the case with the *common* businesses.

On the other hand, there may in some instances be an especially high payoff from one of these more restricted business types. This could happen if the business is typically a large employer or if the business has a large export or import-substitution character. (That is, they bring new dollars to the local area or prevent leakages of dollars from the local area, resulting in a multiplier effect on the area economy.) Certain types of institutions, such as medical or higher educational facilities, may typically fit this description.

These more uncommon and constrained types of business occurrences are termed *special* opportunity businesses.

Not all results fall neatly into one category or the other. However, a reasonable judgment can readily be made in most cases.

The list of top selections is shown on the following page. Again, this list is derived from the data charted in the appendices. Not all charted SICs are selected. It is simply a matter of individual judgment as to which SICs to include or exclude in the final selection list. This judgment is based on the pattern of the bars in each chart and the nature of each business.

Persons with an interest in developing the Haywood County commercial sector should not rely only on the top picks here, but should make their own set of selections from their own analyses of the charts. Selections, once made, should be scrutinized in greater detail, incorporating as much additional information from other sources as possible.

The selections given here are intended to provide one possible set of candidate opportunities. Regardless of how chosen, such a set of business categories should be

useful for providing a quick starting point for discussion of potential commercial opportunities. From that should ultimately evolve more in-depth analysis.

Closer examination of any selected SIC classification may reveal reasons why a particular type of enterprise, though a top selection, may not actually be a good prospect. The intent here is to provide a "first-cut" set of business types that can be further examined. There could be many reasons why a selected candidate may not actually be a good choice.

Employment and Establishment Potentials

The list of top selections is derived from the data tables in *Appendix B* through *Appendix E*. These appendices present four-digit SIC selections ranked by employment potential. The potentials are calculated by applying the highest *employment ratio* from among the peer counties to the base demand employment for Haywood County. The *employment ratio* is the employment in the SIC under consideration divided by the relevant level of the base demand sector measure (either population or employment in a particular set of industries).

The excess of the employment thus derived over the employment level existing in Haywood County is the calculated maximum potential. The potential maximum employment, therefore, is the additional number of employees that Haywood County could support if it had the same level of activity relative to its demand base as the county with highest *employment ratio*. An average potential is also calculated using the average employment over all of the peer counties.

Due to data confidentiality requirements, these potentials are expressed in ranges. These employment levels can be roughly translated into number of establishments. To estimate the number of potential establishments for an employment

Selected Business Opportunities

Consumer Demand-Based Businesses

<i>SIC</i>	<i>Title</i>	<i>SIC</i>	<i>Title</i>
<i>Common Opportunities</i>			
8062	General Medical & Surgical Hospitals	8351	Child Day Care Services
5812	Eating Places	5541	Gasoline Service Stations
8051	Skilled Nursing Care Facilities	8111	Legal Services
5311	Department Stores	8011	Offices & Clinics Of Medical Doctors
5411	Grocery Stores	5912	Drug & Proprietary Stores
5712	Furniture Stores	5331	Variety Stores
5211	Lumber & Other Building Materials		
<i>Special Opportunities</i>			
8069	Specialty Hospitals, Except Psychiatric	5271	Mobile Home Dealers
8222	Junior Colleges	8711	Engineering Services
8429	Vocational Schools, NEC	8093	Specialty Outpatient Clinics, NEC
6021	National Commercial Banks	5984	Liquefied Petroleum Gas Dealers
8322	Individual & Family Services		

Business Services

<i>SIC</i>	<i>Title</i>	<i>SIC</i>	<i>Title</i>
<i>Common Opportunities</i>			
7389	Business Services, NEC		
<i>Special Opportunities</i>			
7374	Data Processing & Preparation	7349	Building Maintenance Services, NEC
7363	Help Supply Services	2752	Commercial Printing, Lithographic

Trucking & Warehousing Opportunities

<i>SIC</i>	<i>Title</i>	<i>SIC</i>	<i>Title</i>
<i>Common Opportunities</i>			
4212	Local Trucking, Without Storage	4213	Trucking, Except Local
<i>Special Opportunities</i>			
4225	General Warehousing & Storage		

Industrial Services Opportunities

<i>SIC</i>	<i>Title</i>	<i>SIC</i>	<i>Title</i>
<i>Common Opportunities</i>			
7692	Welding Repair		
<i>Special Opportunities</i>			
5084	Wholesale Industrial Machinery & Equip.	5085	Wholesale Industrial Supplies

potential value, first take a representative value from the employment range (say 75, for a 50-100 range). The next step is to consult the employment per establishment table in *Appendix F*. Apply the median size value to the employment value. For example, if the employment value is taken to be 75, SIC 4222 would have an estimated potential for about three new establishments of a typical size. The actual calculation of these establishment values for selected businesses is left to the reader.

Brief Discussion Of Selected Top Opportunities

The charted results presented in the appendices are for two major categories of businesses:

–Local consumer-based or local population-dependent businesses. All SICs above 3999 are included in this section with the exception of the following SICs: 42, 43, 50, 51, and 73. Although based on county resident demand, some of these businesses may actually be substantially dependent on non-local county demand for their revenues; examples might include regional health and education facilities, some financial institutions, and telemarketing companies. These types most often fall in the *special opportunities* class.

–Business-dependent businesses. There are three subcategories in this group: general business services, trucking and warehousing, and industrial services.

As is the case for some consumer-based businesses, some business-oriented enterprises may have a strong non-local demand component. Of special note is wholesale activity. Wholesaling is often a regional activity dependent on specific types of business customers.

In the distribution channels for manufactured goods, intermediaries (i.e., industrial wholesalers) play an important role supplying inputs to industry. An area that has an unusually large volume of activity in a certain industry represents potential opportunities for these intermediaries as suppliers of manufacturing inputs.

A regional area may contain multiple manufacturers who purchase substantial quantities of a particular commodity line. Such an area might be able to support a local or regional wholesaler where one does not already exist.

An analysis of regional manufacturing inputs would be needed for industrial wholesalers. Analysis of regional demand and supply conditions, including local and regional transportation infrastructure, would be needed for all types of wholesaling. *This guide does not address wholesaler activity of any kind.*

Finally, there may be consumer demand components in some of the business dependent categories. Pest control services (SIC 7342) is an example.

Each category is discussed in a following section, and a few specific SIC examples are briefly discussed.

Local Demand, Consumer-Based Businesses

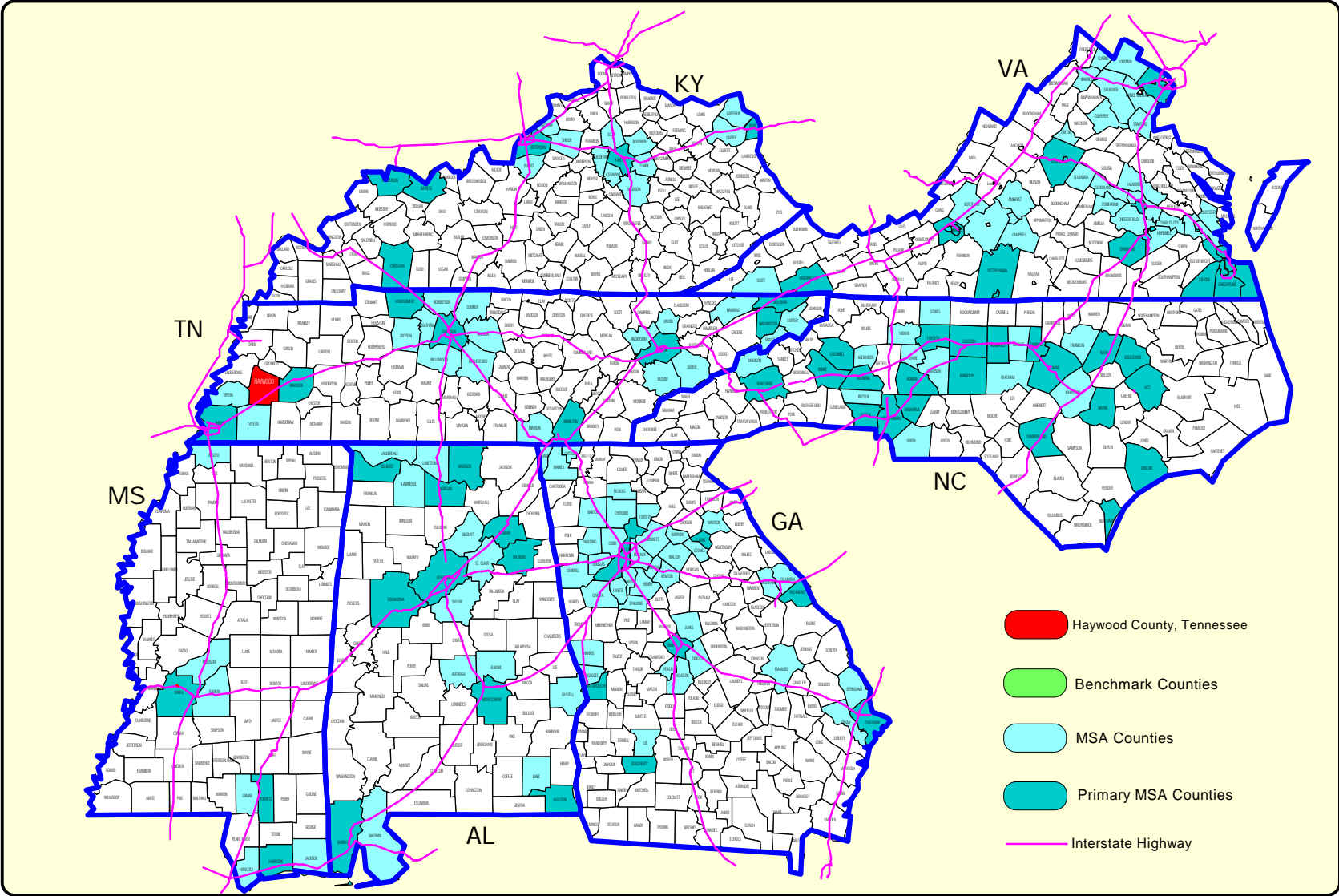
Peer counties are selected from the seven states according to the following criteria: 1990 population estimate between 17,000 and 25,000, net out-commuting as a percentage of population between three percent and seven percent, and EBI (Effective Buying Income as provided by *Market Statistics, 1996*) between \$200 million and \$233 million. The resulting peer counties are shown in the table and on the map on the following two pages.

Haywood County, Tennessee And "Peer" Counties For Consumer-Based Businesses Base Attributes

<i>County</i>	<i>'90 Population</i>	<i>Net Out-Commuting As % Pop</i>	<i>Est. Effective Buying Income (\$mil)</i>	<i>Hotel/Motel Emp Per Capita Index*</i>	<i>Gas Service Station Emp Per Capita Index*</i>
Butler, AL	21,530	3	\$207	3	4
Fayette, AL	17,944	4	\$202	1	2
Hart, GA	21,005	5	\$211	1	4
McDuffie, GA	21,474	6	\$225	2	4
Meriwether, GA	22,944	6	\$206	1	1
Grayson, KY	22,910	4	\$228	1	3
Harrison, KY	17,170	7	\$207	1	3
Johnson, KY	24,147	3	\$233	3	2
Newton, MS	21,455	3	\$202	1	3
Tishomingo, MS	18,430	5	\$215	2	1
HAYWOOD, TN	19,764	5	\$218	1	3
Unicoi, TN	17,135	6	\$204	1	1
White, TN	21,872	3	\$227	1	1

*Indices are approximations to the relative levels per capita among the counties, setting the lowest values equal to 1.

Haywood County, Tennessee And Peer Counties--Consumer Based Businesses



In *Appendix B*, results for Haywood and the peer counties are displayed graphically for each SIC. The charts display the employment in the SIC for all of the peer counties. SICs are ranked in descending order of maximum potential employment for Haywood County; only SICs with at least a maximum potential of twenty-five employees and an average potential of five, or an average potential of at least ten regardless of the maximum, are shown.

It should be kept in mind that some consumer businesses may *not* be highly dependent on local consumer demand, but may be included in the charts in *Appendix B*. The next stage of selecting candidate opportunities, resulting in the table of selected consumer businesses, attempts to filter some of these out. The remainder are then selected or discarded based on the nature of the business or on the distribution of the charted values among the peer group of counties.

In the rest of this section on consumer-based businesses, several of the top-ranked business opportunities in the table are briefly analyzed. These several analyses should provide enough examples so that those interested may be able to use the charts to perform their own analysis on any of the remaining SIC selections of interest.

The top ranked business selection is a *special* opportunity: **specialty hospitals, except psychiatric**. The first *common* opportunity is also health-related: **general and medical surgical hospitals**. In this latter case, Haywood is the second lowest of the peer counties. Although classed as *common*, it should be recognized that a sizable hospital facility usually has significant regional implications, as would the specialty hospitals opportunity. Therefore, consideration would need to be given to demand and supply conditions in surrounding counties. All that can be deduced here is that if the data are correct,

then there appears to be a basis for believing that further study could be justified. To recommend either of these as a development opportunity would, of course, require more knowledge of local and regional conditions than this study can provide.

Both of these hospital businesses typically carry large payrolls. The average annual wage for either is around \$28,000. A lower paying health-related selection is skilled nursing care facilities. It pays a little over \$16,000 on average.

The second highest ranked *common* business may be the first to be a type of business that is underrepresented *and* has relatively low barriers to development. It is **eating places**. This business was also found to be underrepresented in the prior analysis of leakages.

There are eighteen eating and drinking establishments recorded for Haywood. Their total employment is about 280. The potential is, however, for over 100 more employees. This certainly seems to be worth exploring. Where, for example, are people eating? Does it appear that surrounding counties are getting a good share of residents' business? Are there adequate options for commuters and travelers in the county?

One cautionary note is in order. This four-digit classification, SIC 5812, although listed as eating places only, is actually both eating and drinking places due to some anomalies in the underlying data. Therefore, a part of the apparent underrepresentation could be due to differences in drinking establishments. Again, more intimate knowledge of the local situations is needed than can be provided here.

There are special opportunities in the education field: **junior colleges or vocational schools**. These would also likely have regional implications. Like hospitals, though lower paying on average, these

would also require some fairly highly trained workers.

In the retail field, three opportunities stand out: **department stores, grocery stores, and furniture and furnishings retailers**. One of these, grocery stores, was found to have a surplus in the prior analysis of leakages. Therefore, it may be that in spite of that result and based on counties similar to itself, Haywood may still have room to grow jobs in this business.

Business-Dependent Businesses

This section presents a brief analysis of the data from the graphs presented in *Appendix C* through *Appendix E*. Whereas the graphical data for consumer-based businesses represent per person employment in each target SIC, these graphs indicate the target SIC employment per unit of employment in the base demand set of industries. There are three groups of SICs representing three different base demand sectors. Again, the graphs in each group are in descending order by the calculated potential employment for Haywood County. A maximum and an average employment potential is given.

General Business Services

The graphs for general business services are presented in *Appendix C*. The base demand sector for this group consists of all non-agricultural industries (SICs 10 and above). Peer counties are selected based on having between 5,000 and 6,000 employees and an out-commuting ratio between three and eight percent. The result is a group of sixteen counties in addition to Haywood. The map on the following page shows the selected counties.

The top opportunity in this category is clearly a very special type of opportunity: **data processing and preparation**. Since there is only one peer county causing this result, this would only be a viable

opportunity under very select circumstances, and cannot be recommended otherwise.

The second top selected business services opportunity is **help supply services**. It is a *common* opportunity with Haywood ranked with the lowest ranked peer counties.

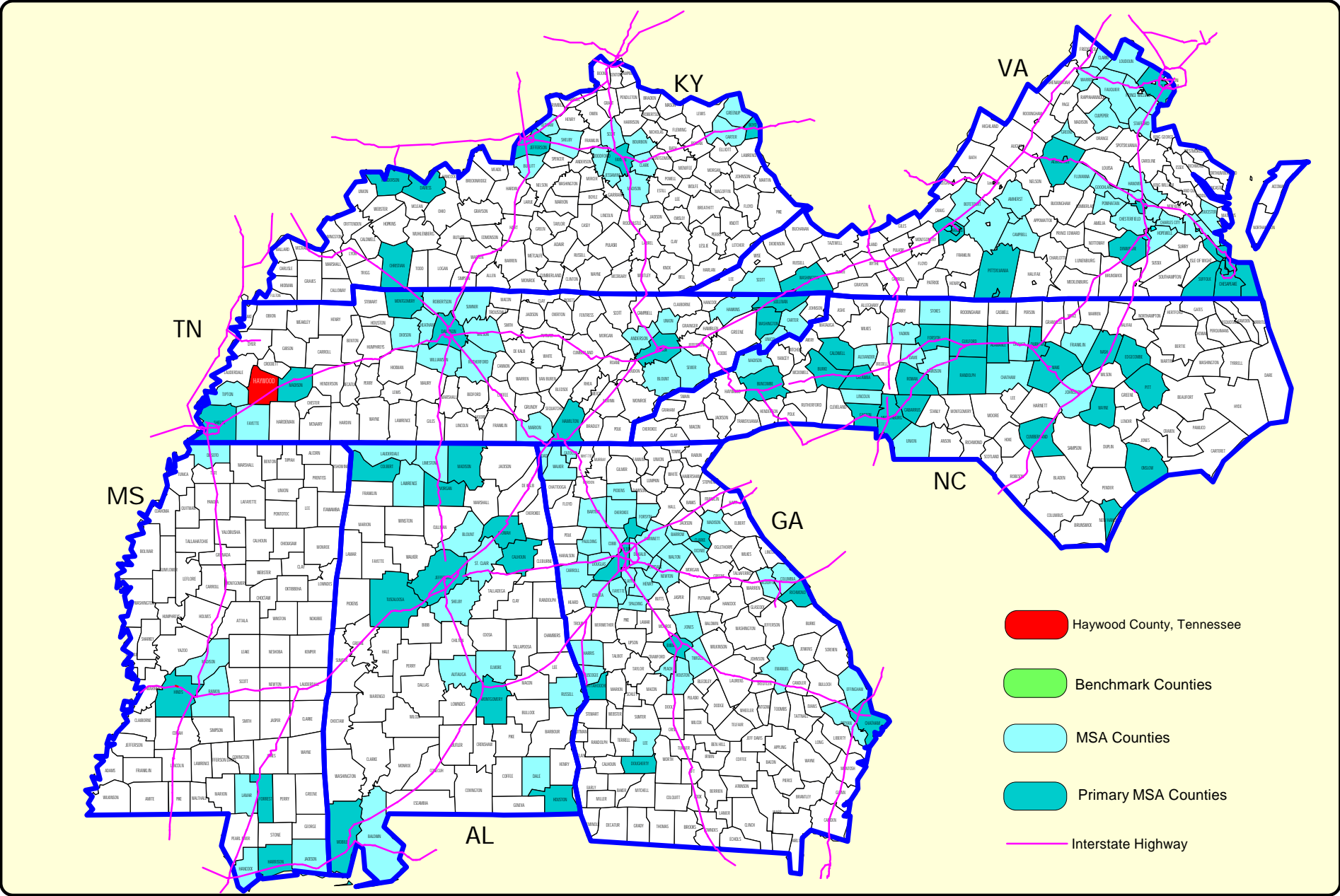
Help supply services are establishments primarily engaged in supplying temporary or continuing help on a contract or fee basis. These operations are relatively large employers among service businesses. The average size is a very large 113 employees, but the typical (median) size is 22 employees. The average annual wage rate is about \$13,500.

Some other opportunities are difficult to categorize as either common or special. These include: **building maintenance services, nec; lithographic printing; and business services, nec**. They do indicate that Haywood might develop some new or additional activity in them.

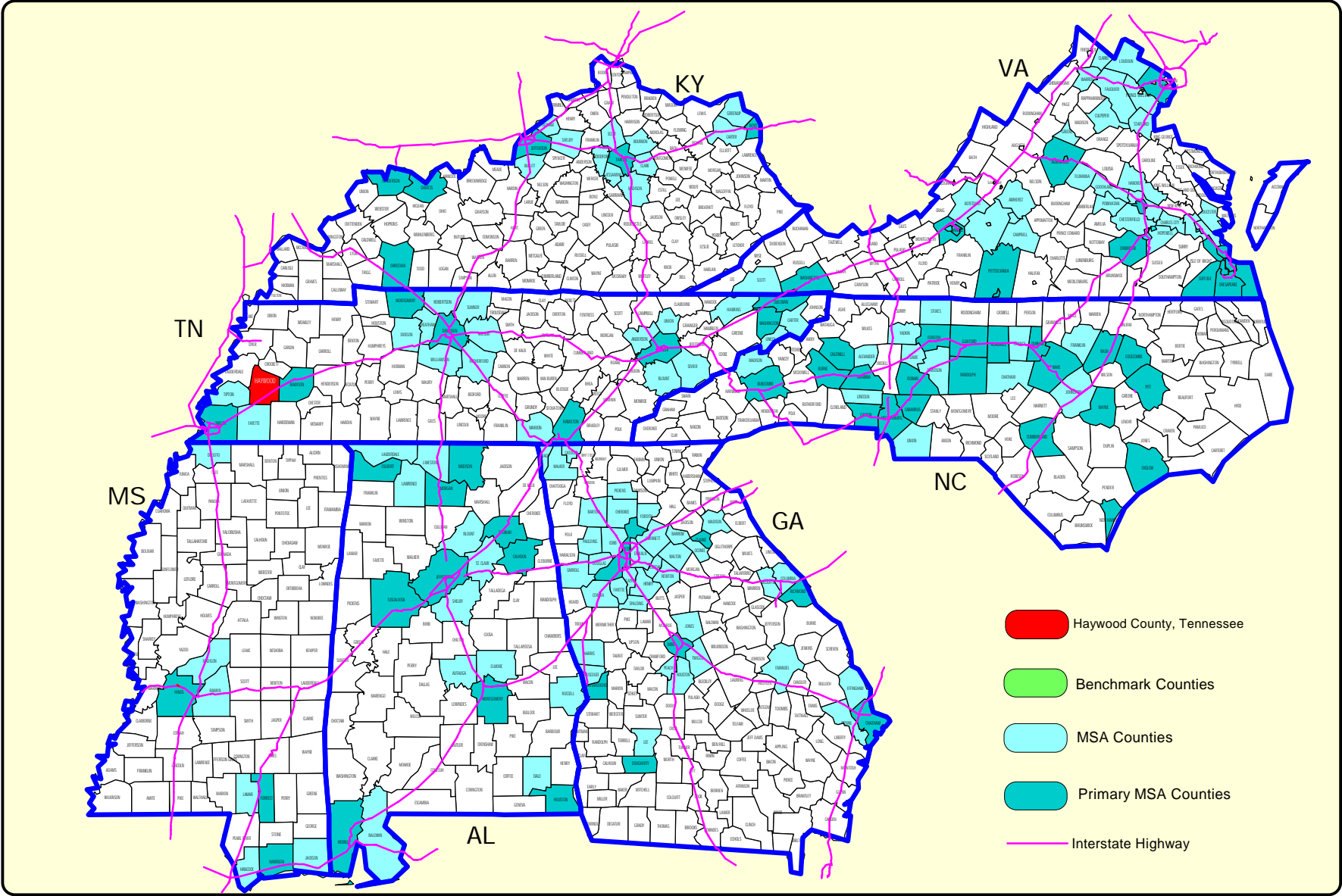
Trucking & Warehousing

This grouping consists of all types of trucking and warehousing SICs (SIC 42xx). The base demand sector is assumed to be all types of manufacturing companies (SICs 20-39) and wholesaling operations (SICs 50 and 51). The criteria for selecting counties are: wholesaling and manufacturing employment must be in the range of 2,200 to 2,500 with the ratio of wholesaling to manufacturing lying between eight and twenty percent. The result is sixteen peer counties in addition to Haywood. The map on the second following page shows the

Haywood County, Tennessee And Peer Counties--Business Services



Haywood County, Tennessee And Peer Counties--Trucking & Warehousing



location of the peer counties in the seven Valley states.

Local trucking without storage shows consider potential as a common opportunity. Haywood is ranked third lowest among all the peer counties. The average potential employment gain is at least twenty-five and the maximum gain is at least one hundred.

Haywood also appears seriously underrepresented in **non-local trucking**. The situation is similar to local trucking, although the potential employment gains may be a little smaller.

Local trucking without storage has an average annul wage rate of \$24,000. The rate for non-local trucking is \$29,400.

General warehousing and storage offers some prospect for development also, though not a strong as the above two businesses.

Industrial Services

Three industrial services result from the peer county comparison criteria as shown in *Appendix E*. The base demand

sector for these three industries is total manufacturing employment (SICs 20 through 39). The twenty-three selected peer counties are those within about 200 employees of the total manufacturing employment for Haywood County.

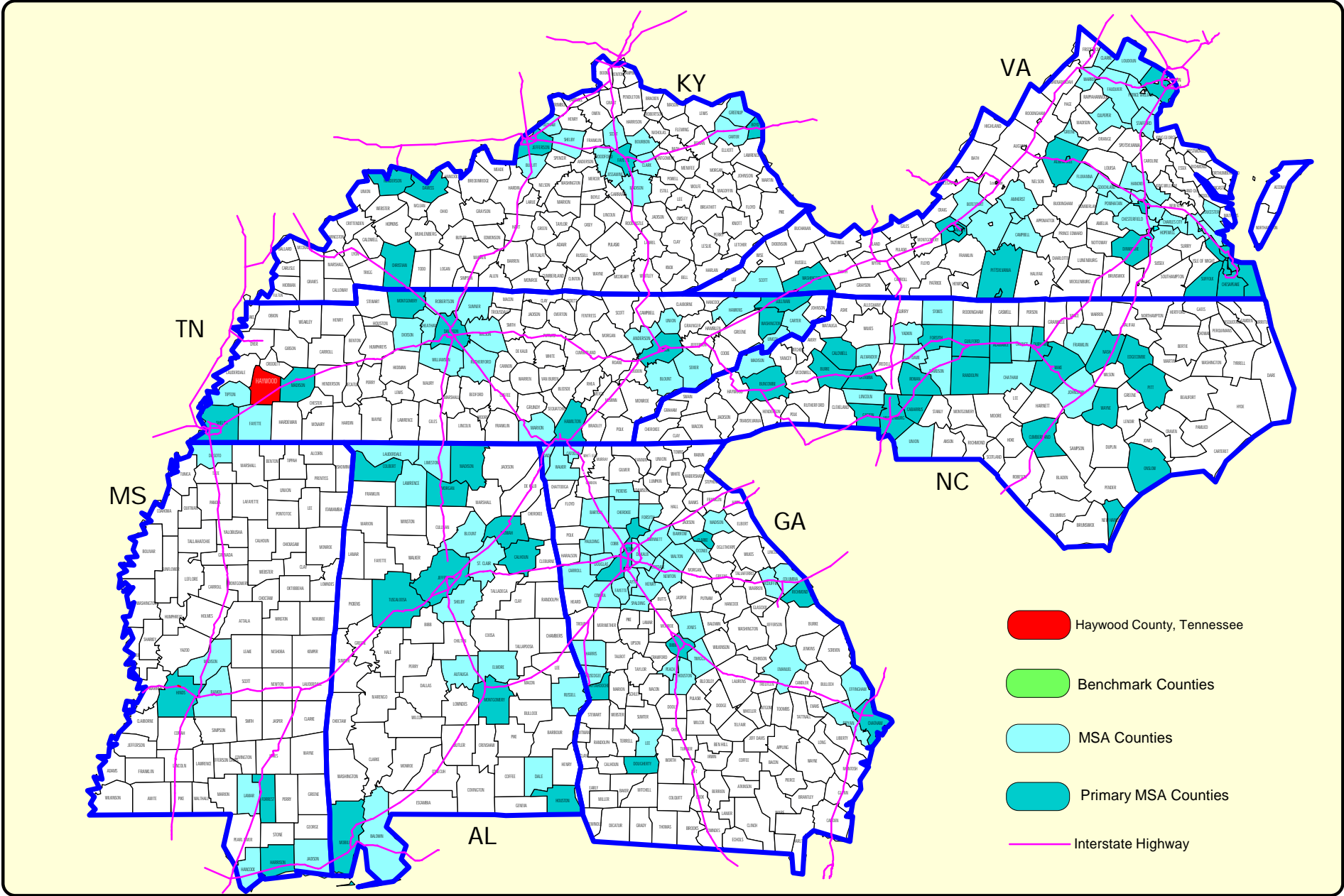
A map of the peer counties that have been selected for the industrial services analysis is shown on the page following the map for trucking and warehousing.

Appendix E shows three significant *common* opportunities. The largest is **wholesale industrial machinery and equipment**. It is a high paying business; the average annual wage rate is about \$40,900.

The second selected opportunity is **wholesale industrial supplies**. There are fewer peer counties with significant employment in this case, but this also pays well at about \$35,000 per year on average.

The final industrial services opportunity is **welding repair**. Haywood is one of the lowest ranked of the peer counties. The average annual wage is over \$20,500.

Haywood County, Tennessee And Peer Counties--Industrial Services



Methodology

This section describes the methods that have been used to develop the “peer” county benchmark charts that are contained in *Appendix B* through *Appendix E*. Each analysis and set of results has been designed to provide an answer to the question: what types of commercial enterprises (within a predefined set) are the best prospects for development in Haywood County?

Peer (or Benchmark) County Analysis

The primary methodology used in this study relies on a county benchmarking or “peer” county concept. In this concept, commercial industry classifications are first grouped on the basis of the segment of the economy which is likely to be their primary customer base.

The next step is to isolate a small set of counties that appear to be most comparable to Haywood County in terms of the base demand segment. In the case of consumer-based businesses, the matching is done on the basis of county population count, net out-commuting, and per capita income. Hotel/motel employment (a proxy for traveler-related demand) is also calculated and provides input to the final analyses. In the case of business-dependent enterprises, the comparison is made on the employment in the designated industry demand sectors. Counties are selected from among seven states: Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia.

The final steps involve calculating a ratio for each of the selected counties and for each of the four-digit SICs in the targeted grouping. This ratio is the county’s employment in the target SIC per quantity of

base demand (either population or employment). These per unit employment factors are displayed graphically in the appendices for all selected counties for each target SIC. The difference in the ratio of the highest (or “best”) county and Haywood County is calculated. This ratio is applied to the Haywood County base employment to get an estimate of the employment “potential” for Haywood County in each SIC.

The graphs for the SICs in each group are ranked by employment potential. An examination of the graphs provides an indication of where Haywood County stands on a relative basis, and whether the “best” county is possibly an outlier that might be attributed to unusual circumstances.

Local Demand Consumer-Based Businesses

For the sake of convenience, this analysis uses all SICs between SIC 4000 and 8799 with the exceptions of 42, 43, 50, 51, and 73. Consumer demand has several possible components: local residents, commuters, travelers, and transitory, institutionalized persons. A major category of the institutionalized population consists of persons in some type of health care facility on a temporary basis. (Other major types are probably captured in the Census population counts that form the demand base.)

As mentioned above, the selection of “peer” counties is done on the basis of county population count, net out-commuting, and per capita income. Population is used to capture the potential from local consumer demand; per capita income constrains the effective demand potential of the local residents. Net out-

commuting (taken as a percentage of population) should reflect relative non-local demand intensity. Hotel/motel employment is a proxy for traveler-related demand, and may be considered in the final analyses.

Business-Dependent Businesses

In this category are businesses whose livelihood depends on demand from other local businesses. Therefore, the denominator in the target SIC employment per base unit is local employment in the base sector. This base sector varies from group to group.

General Business Services

This group of target SICs consists of those categories of enterprises that depend on sales across a broad range of business types. The included SICs are all of the four-digit SICs in the following classifications: 73 except 7353, 275, 276, and 3993. (Refer to *Appendix J--SIC Codes and Titles* for the identification of these SICs.) The proxy

for base demand is taken to be the total county employment for all SICs 10 and above.

Trucking & Warehousing

This group of target SICs consists of all four-digit SICs in SIC 42, trucking and warehousing. The primary demand sector for these services is assumed to be the manufacturing sector (SICs 20 through 39) and the wholesaling sector (SICs 50-51). The target SICs are all the four-digit SICs in SIC 42. (Refer to *Appendix J--SIC Codes and Titles* for the identification of these SICs.)

Industrial Services

This group of target SICs consists of industrial distributors of machinery and equipment (SIC 5084) and industrial supplies (SIC 5085). Also included is welding repair (SIC 7692). The base demand component is assumed to be the manufacturing sector (SICs 20-39).

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